EXHIBIT 5

From:	Scott Davis <ScottD@filsingerEnergy.com>
To:	José F. Ortiz Vázquez
CC:	Todd Filsinger
Sent:	7/25/2019 3:07:27 PM
Subject:	RSA Headroom Discussion

Mr. Ortiz,

Please find attached a draft presentation providing an overview as a follow-up to previous conversations with Todd regarding the ability to absorb the RSA under base rates. It summarizes head room from a cash flow perspective looking at FY2019 actuals projected into FY2020, as well as from a budgeted revenue requirements perspective looking forward for several years.

Please let Todd or me know if you have any questions or redirects regarding RSA issues.

Best regards,

Scott

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Puerto Rico
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Revenue Allocation Overview
FY's 2019 & 2020

June 30, 2019

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Executive Summary

Situation

- Restructuring Service Agreement (RSA) with Creditors requires 25+ years of Securitization Charges
  - FY2020 Settlement Charge (SC) of 1.000c/kWh; ~$160M on ~16TWh of sales
  - FY2021 begins Transition Charge of 2.768c/kWh growing to 4.552c/kWh; generally maintains an average of $390M/year of debt service payments given the IRP consumption forecast

Questions

- Under the current rate structure, does the flexibility exist to absorb the RSA Securitization Charges
- How much will IRP and operating efficiency improvements offset the RSA Securitization Charges

Findings

- FY2019 cash flows suggest there may be headroom to absorb RSA Securitization Charges
- FY2020 budgeted all-in rates with the SC are flat to FY2019, but FY2021 increases $3.1c/kWh
  - Lower production expenses are offsetting the FY2020 RSA charges
- However, forecast cost structure, if executed, leaves little flexibility to reduce near term base rates

Fuel and Purchased Power expense savings is the primary vehicle for offsetting RSA costs

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FY2019 Cash Flow Sources & Uses*

52 Week Cash Flow Summary From: 6/29/2018 To: 6/21/2019	Ordinary Operations of PREPA	Title III	Emergency & Insurance	Debt Service	Totals, $M
Initial Operating Fund Cash Balance					**191.7**
Sources					
Customer Receipts	3,300.9				3,300.9
Other Receipts	15.6				15.6
FEMA Reimburements			777.6		777.6
Insurance Proceeds			-		-
Commonwealth Loan				149.1	149.1
Total Sources	**3,316.6**	**-**	**777.6**	**149.1**	**4,243.3**
Uses					
Energy Purchases	(2,062.9)				(2,062.9)
Ordinary Operations Expense	(820.7)				(820.7)
Contract Labor - Title III		(56.6)			(56.6)
Emergency & Insurance			(893.1)		(893.1)
Debt Service				(309.1)	(309.1)
Total Uses	**(2,883.6)**	**(56.6)**	**(893.1)**	**(309.1)**	**(4,142.3)**
Net Sources & Uses	**432.9**	**-56.6**	**-115.4**	**-159.9**	**101.0**
Ending Operating Fund Cash Balance					**292.7**

- Net cash flow from PREPA operations of $433M was used to fund Title III expenses ($57M), unreimbursed emergency expenditures ($115M), and net debt service associated with retirement of the Commonwealth Loan ($160M)
  - This view may be misleading as cash expenses may not reflect current accrued liabilities
  - Per the April Interim Report, accounts payable has increased ~$357M since the beginning of the fiscal year

*Cash flow summary from available data; begins the last week of FY2018 and runs through the week before FY2019 end.

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Looking Ahead to FY2020 & FY2021 Cash Flows

Let's Assume…

- PREPA cash flow operations run rates remains consistent with FY2019 but for any budgeted additions
  - Generally flat to budget for labor expense
  - Continue under spending of non-labor and maintenance budgets
- Full reimbursement of emergency and permanent works expenses, excluding required PREPA cost shares, with no additional working capital outlays to fund work prior to reimbursements
- No debt service expense outside of the RSA (Commonwealth Loan has been paid off)
- No payout for incremental Accounts Payable
  - Incremental $357M of current A/P reported in April Interim Report relative to start of the FY
  - Unknown at this time whether May and June cash flows have materially affected the current A/P balance

A View of Estimated Net Cash Position*	FY2020	FY2021
FY Starting Operating Funds Balance	293	575
PREPA FY2019 Run Rate Net Cash Flow	433	433
Reimbursement of Oustanding FEMA exp	115	-
Incremental O&M Expense	(94)	(77)
Incremental Title III, FOMB, & P3A Expense	(20)	81
Other (bad debt, other revenue, interest)	6	9
Net Run Rate Cash Flow Forecast	**440**	**447**
Securitization Charge - RSA Amounts	(158)	(409)
Securitization Charge - ERS Amounts**	-	(228)
Cash Flow After Securitization Charges	**282**	**(191)**
FY Ending Operating Funds Balance	575	384

FY2019 operating cash flows projected forward suggest potential for funding Securitization Charges from Base Rates

*Does not consider the $357M of increased FY2019 A/P balance.
**Retiree benefits expense moves from O&M to a Securitized Charge in FY2021.

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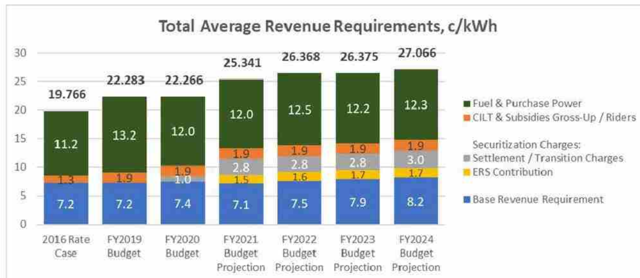
Overview of Budgeted Rates Requirements

- At right, average rates by revenue component from the 2016 rate case to FOMB approved budgets for FY's 2019 & 2020, as well as the latest FOMB budget projections for FY's 2021-2024
- All non-pass-through expense budgets (i.e., Base Revenue Requirement) are constructed to balance against expected Base Rate revenues at the current permanent rates
- Fuel & purchased power expenses reflect IRP submission (per Planning)



- FY2020 budgeted all-in rate is flat to FY2019 despite initiation of the Settlement Charge
  - Fuel & purchased power expense reduction of 1.2c/kWh is offsetting a 0.2c/kWh increase in budgeted operating and necessary maintenance costs (Base Revenue Requirement) plus 1.0c/kWh of securitization charges
- FY2021 budget shows an all-In rate increase of 3.1c/kWh
  - ~1.8c/kWh as the RSA Settlement Charge is replaced with the RSA Transition Charge
  - ~1.0c/kWh due to ERS contribution becoming a securitized charge beginning in FY2021
    - FY2020 budgeted retirement benefits of ~$83M, equivalent to ~0.5c/kWh within the Base Revenue Requirement
    - Increases to ~$228M (~1.5c/kWh) for FY2021 as ERS contribution becomes actuarially determined
  - ~0.2c/kWh increase in Base Revenue Requirement, net of the 0.5c/kWh ERS cost shift to the Securitization Charges

Production cost reductions are offsetting Settlement Charges in FY2020; However, Transition Charges net of budget adjustments add 3.1c/kWh in FY2021

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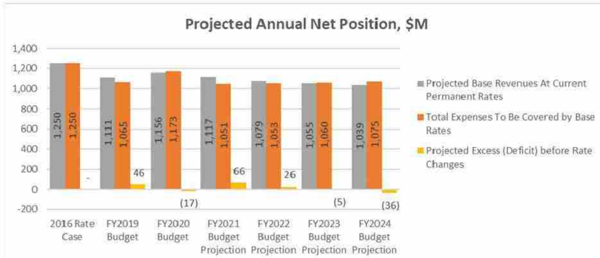
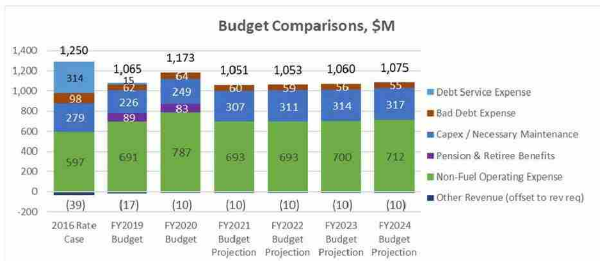
Budgeted Base Revenues & Expenses





Projected Annual Net Position

- 2016 Rate Case set base rates such that revenues matched the PREB approved budget in 2016
- All budgets since the rate case are generally balanced against expected base revenues at the permanent rates
  - Declining revenues (and budgets) are due to falling consumption forecasts

Budget Comparisons

- Structural change: pension and retiree benefits will be moved from non-fuel operating expense (broken out for FY2019 & FY2020) to be included in the Securitization Charge beginning with FY2021
- Material budget moves since the 2016 rate case

Reconcile Allowed Revenue Requirements to Budgets	FY2019 Budget	FY2020 Budget	FY2021 Budget Projection
Base Revenue Impact of Reduced Consumption & Sales	(139)	(94)	(134)
Change In Budgeted Expenses			
Lower Debt Service Expense	299	314	314
Lower Bad Debt Expense	37	35	38
Change in Capex / Maintenance Expense	54	30	(28)
Change in Other Revenue	(22)	(29)	(29)
Higher Non-Fuel Operations Costs	(81)	(152)	(76)
Title III, FOMB & P3A Expenses	(101)	(121)	(20)
Budgeted Net Position Relative to 2016 Rev Req, $M	**46**	**(17)**	66

Budgets suggest PREPA requires 100% of base rate revenues to fund O&M. But will PREPA spend the money?

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Estimated O&M Run-Rate Review*

Operations & Maintenance Expenses by Division (inclusive of labor expense)

- Run-rate based on annualizing April YTD*
- Projected operations expenses are under budget by ~$156M (20%)
  - The maintenance category of operating expense presumably covers generation and T&D; combined projected G,T&D spending is ~$39.5M under budget
- Projected Maintenance Projects expenditures are $105M under budget
- Caveat: the projected run-rate underspend through April could be substantially reduced by accelerated spending in May and June

Operations & Maintenance Expenses by Division *$ thousands (unless specified otherwise)*	FY2019 Budget*	FY to Date April 2019 FYTD April 2019 Budget	FYTD April 2019 Actual	FY2019 10A+2E	FY2019 10A+2E Estimated Under/(Over) Budget	
		Per April 2019 Interim Report, pg 19...				
Generation / Other Production	51,684	43,070	42,060	50,472	1,212	2%
Transmission & Distribution	119,825	99,854	104,351	125,221	(5,396)	-5%
Maintenance	187,801	156,501	120,122	144,146	43,655	23%
Customer accounting & collection	103,964	86,637	67,565	81,078	22,886	22%
Administrative and general	215,371	263,941	185,569	222,683	94,046	44%
Title III, FOMB & P3A	101,358					
TOTAL Non-Fuel Operating Expense	**780,004**	**650,003**	**519,667**	**623,600**	**156,403**	**20%**
Transmission & Distribution	111,765	70,160	56,526	67,831	43,933	39%
Generation	95,615	74,380	41,523	49,828	45,787	48%
Other		37,470	2,394	2,873	15,362	84%
Executive (General & Admin)	14,550					
Customer Service	3,060					
Planning and Environmental Protection	2,500					
Labor Reform	(1,875)					
Federal Funding Cost Share						
Total Maintenance Projects	**225,614**	**182,010**	**100,443**	**120,532**	**105,083**	**47%**
Total Operations & Maintenance Spend	**1,005,618**	**832,013**	**620,110**	**744,132**	**261,486**	**26%**

*FY2019 operating budget by division is estimated from the April 2019 Interim Report assuming reported budget amounts are distributed monthly on a pro rata basis

Summary: ~$260M Under Spending of FY2019 Budget

- No Division appears to be on track to spend budgeted amounts for utility operations or maintenance projects in FY2019
- Since overall labor expenses appear to be reasonably on budget, overall underspend is in materials and supplies and professional services
  - Salaries and wages were flat to budget through April, overtime was over budget by ~$11M while benefits were under budget by ~$3M, net ~$8M over budget (relatively small compared to the total under spend)
- Is the problem with procurement, project management, management discretion, other factors, or some combination?

Will PREPA continue to materially out perform (under spend) budgets?

*Run-rate analyses use year-to-date amounts reported in the Interim Report and 725 Reports for April 2019, grossed up to estimate full fiscal year amounts.

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Recap & Considerations

- Securitization charges begin in July 2019 and continue for 25+ years
  - FY2020: RSA 1.0c/kWh; ~$160M
  - FY2021: RSA 2.768 + ERS 1.547 = 4.315c/kWh; RSA ~$409 + ERS ~$228 = ~$637M
- Projected budgeted all-in rates are flat from FY2019 to FY2020; however, FY2021 increase of $3.1c/kWh primarily due to increased Securitization Charges
  - Certified FOMB fiscal plans match expenses to expected revenues, which are falling with consumption forecasts
  - Includes costs and benefits of certain improvement initiatives
  - Fuel and purchased power expenses are consistent with the IRP
    - However, benefit of SJ5&6 fuel conversion, estimated at ~$124M/year (~0.8c/kWh) in savings, is not included
- Budgeted, controllable non-fuel O&M costs are up $122M for FY2020 relative to the 2016 rate case
- However, run-rate analyses for FY2019 suggest PREPA is materially under spending budgeted expenses
  - Net operating cash flow for FY2019 before debt service and extraordinary items of ~$433M
  - Recorded expenses versus budgets through April, annualized, suggest an under spend of ~$260M
  - Need additional data (i.e., May and June accounting) to narrow the budget to actuals analysis
- This analysis does not address the following questions
  - Quality of the budgets; that is, are budgets accurately reflecting required expenditures?
  - Causation of the underspend

What is the case for Not spending budgeted funds?

*FY2019 run-rate expenses analyses uses YTD amounts reported in the Interim Report and 725 Reports for April 2019, grossed up to estimate full fiscal year amounts.

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The Way Forward

Methods of Effecting Consumer Rates

- Changes in pass-through fuel and purchased power expense are effective at each quarterly update, so are thus immediately effective
- Non-pass through costs require a formal PREB proceeding for approved rates to be changed
- No explicitly called for rate cases with the PREB [per FEP's knowledge]
  - However, expect PREB will have to certify Securitization Charges before such can go into effect, which may trigger a PREB inquiry or order for cost review
  - Also, it's been over 3 years and material changes to PREPA since the last rate case; expect PREB to initiate a proceeding [soon?] regardless of the RSA and Securitization Charges issues
  - PREPA could initiate a revenue requirements / rate review to effectuate a desired rate change

Planning

- Focus since Title III and the hurricanes has been to identify and remedy structural, operational, and infrastructure concerns at the fastest possible pace
- PREPA's under spend of operating and necessary maintenance budgets may be a symptom of a lack of tactical planning regarding availability of resources, both human and capital, which may or may not be rectified in FY2020
- A thorough analysis of revenue requirements considering available or acquirable resources and achievable allocation of resources to properly sequenced initiatives may provide the beneficial effect of lowering near-term budgets and enable lower revenue requirements and associated rates
- In any event, a thorough review of revenue requirements should be undertaken to prepare for the next rate case

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